

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

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PRS-01 DRC-01 /179 W

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R 241615Z SEP 74

FM AVEMBASSY OTTAWA

TO SECSTATE WASHDC 4564

C O N F I D E N T I A L OTTAWAP3077

E.O. 11652: GDS

TA : ENRG, CA

SUBJ: ENERGY: ARTIC GAS PIPELINE

1. I HAD INTERESTING INFORMAL DISCUSSIONS LAST WEEK  
WITH WILLIAM WIDERN CHAURMAN OF CANADIAN ARCTICE  
GAS STUDY LTD. AND OTHER SENIOR OFFICIALS OF  
COMPANY. FOLLOWING POINTS EMERGED:

A. SECOND SECTION (I.E. PROPOSED FUCANCUNG ARRANGEMENTS)  
OF ARCTICE GASAPPLICATION TO CANADIAN AND U.S.

REGULATORY BODIES WILL BE SUBMITTED IN ABOUT A MONTH.  
THIRD AND FINAL SECTION (DEALING WITH SALES CONTRACTS  
FOR GAS) WILL BE READY BY EARLY 1975. ARCTIC GAS  
HOPES HEARING PROCEDURES CAN BEIN BEFORE APPLICATION  
COMPLETE AS, IN THEIR VIEW, DETAILED SALES CONTRACT  
INFO IS NOT ESSENTIAL TO CONSIDERATION OF OTHER  
ASPECTS.

B. BEST ESTIMATE IS THAT, IF ALL GOES WELL,  
CANADUAN PROCEDURES CAN BE COMPLETED AND DECISION  
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RECEIVEDBY END OF 1975. U.S. PROCEDURES (IN THEIR

VIEW) MAY EXTEND THROUGH BETTER PART OF 1976. ARCTIC GAS OFFICIALS ARE UNHAPPY WITH THIS TIMETABLE BUT SEE NO WAY TO SPEED IT UP.

C. IF FINAL APPROVALS RECEIVED BY END OF 1976, FIRST PIPE WILL PROBABLY BE LAID IN WINTER OF 1978 AND FIRST GAS WILL FLOW IN 1980 OR PERHAPS 1981.

D. ALBERTA GAS TRUNK DEFECTION FROM ARCTIC GAS CONSORTIUM AND ITS PROMOTION OF COMPETING "MAPLE LEAF LINE" TO BRING CANADIAN GAS TO CANADIAN MARKET WILL CAUSE COMPLICATIONS. PROMOTERS OF THIS LINE WILL "WRAP SELVES IN FLAG" AND AMONG OTHER THINGS POINT TO EXTRA YEAR'S DELAY IN SECURING U.S. APPROVALS AS ARGUMENT FOR THEIR PROPOSAL. THEY WILL ALSO PROMOTE IDEA THAT CANADIAN CONSUMERS WILL BE PINCHED FOR GAS SOONER THAN EXPECTED AND THAT STEPS MUST BE TAKEN TO REMEDY SITUATION. ARCTIC GAS OFFICIALS CONTEND, HOWEVER, THAT ECONOMICS ARE AGAINST ALL-CANADIAN LINE IN SHORT RUN. WHILE THERE ARE EXCELLENT PROSPECTS FOR GAS DISCOVERIES IN CANADIAN NORTH, THERE IS NOT YET SUFFICIENT GAS TO MAKE LARGE ALL-CANADIAN LINE FEASIBLE. ARCTIC GAS OFFICIALS SAY ONLY WAY IN WHICH MACKENZIE VALLEY LINE MAKES SENSE IN NEXT FEW YEARS IS FOR IT TO BRING ALASKAN GAS TO MARKET.

2. ARCTIC GAS OFFICIALS EXPRESSED CONCERN ABOUT NATIONALISTIC MEASURES SUCH AS B.C. DECISION TO IMPOSE FULL BURDEN OF PROSPECTIVE B.C. GAS SHORTAGE ON U.S. CUSTOMERS, WHICH THEY SEE AS WORSENING THE ATMOSPHERE IN WASHINGTON FOR APPROVAL OF ARCTIC GAS'S MACKENZIE VALLEY LINE. SUBSEQUENT TO MEETING WITH ME, THEY HAD APPOINTMENTS SCHEDULED WITH IT&C MINISTER GILLESPIE AND EM&R MINISTER MACDONALD AND THEY INTENDED TO STRESS TO THESE GOC OFFICIALS THE NEED FOR SOME CONFIDENCE-BUILDING MEASURES. I ENCOURAGED THEM IN THIS EFFORT. PORTER

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